

Social Spending under the Modi Government*

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There were many electoral promises embedded in the catchy slogan of “acchhe din aayenge” that has brought the Modi government to national power. Some of these promises related to the social sector, with the [BJP's election manifesto](#) also specifying some key areas of proposed action: extreme poverty and malnutrition to be addressed in mission mode; making corruption-free efficient implementation of universal food security a priority; providing health assurance to all citizens through “a holistic care system that is universally accessible, affordable and effective and drastically reduces the out of pocket spending on health”; strengthening school education and universalising secondary schooling with good quality; more social security schemes for the elderly, disabled and children from “a caring government”; a programme for women's health care once again in mission mode; and so on.

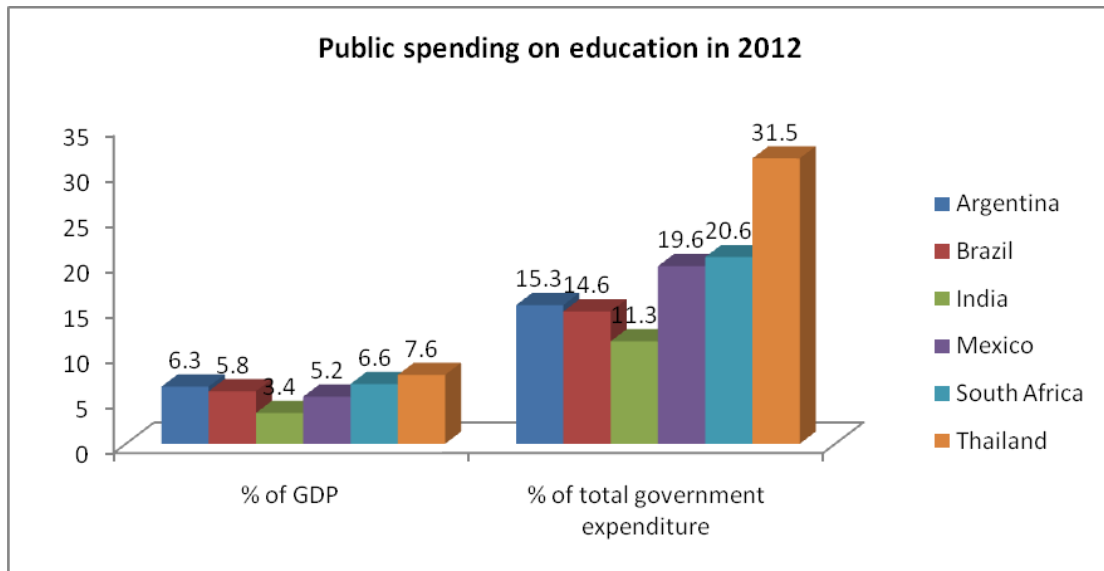
These are obviously a lot of promises (even though they incidentally form only a small subset of all the many assurances that were made in the heady days of the election campaign) and it was only to be expected that not all of them would be kept. It is also too much to expect of any new government that it would make major progress in even a few of them in the short time that has elapsed since it was installed.

But what could reasonably be expected is that a government that has come to power with a full majority, and a leader whose “decisiveness” and “strength of purpose” have been widely advertised, is that the government would at the very least outline clear steps on the basis of which it would meet at least some of these promises. The Annual Budget of the central government is the obvious place to start, not just for indications of the broader macroeconomic strategy of the government, but more precisely the extent to which it is willing to put its money where its mouth has been for the last so many months.

This is important because one thing is crystal clear: to achieve even partially the many promises with respect to the social sector that the BJP has made, much more public expenditure on these would be required. Obviously more money is not enough, and it is never the simple solution to any problem. But it is also very definitely the case that in order to achieve universal food security, or wider access to good quality education, or a holistic health care system that reduces private out-of-pocket spending on health, more public spending is absolutely essential. So attention must naturally be focused on how much money the Modi government has been willing to allocate to these areas in its very first – and therefore so symbolically significant – Union Budget.

Some context is necessary first. It is necessary to bust the common myth floating about in mainstream media that the UPA government had indulged in too much “wasteful” and unaffordable social spending rather than on providing incentives for economic growth. Nothing could be further from the truth. Let us ignore for the moment the obvious conceptual fallacy that public social expenditures play no positive role in encouraging growth. The empirical reality is that India is one of the worst performers with respect to public social expenditure, showing abysmally low ratios even relative to countries at comparable levels of development.

Consider education. The UPA government had promised to increase public spending on education to 6 per cent of GDP, but that never happened. (Incidentally, even that is low relative to what countries like South Africa and Thailand – who are presumably more mindful of the needs, aspirations and potential of their predominantly young populations – are spending.) Instead, as the chart shows, India’s public spending on education was still a paltry 3.4 per cent of GDP in 2012. The continuing inability to universalise school education and prevent dropouts, as well as the inadequate number, insufficient infrastructure and uneven quality of public higher education institutions, are all reflections of that basic lack of public funding.



Source: World Bank World Development Indicators online, accessed on 16 July 2014.

In health as well, the rhetoric of the UPA government and the multiplicity of health-oriented schemes had persuaded at least some more gullible targets that this was a major budget priority of that government. But in terms of public health expenditure the picture is even worse, with India once again showing the lowest ratios among these comparator countries. Per capita public spending on health in India is embarrassingly low, less than one-tenth of most of these comparator countries (in terms of current US dollars). This is also why out-of-pocket spending by households on health is so high in India – and estimates suggest that this is also an important reason for people falling into extreme poverty. Even with huge dependence on private spending on health services, India’s health outcome indicators are poor, and show very slow improvement for a country that has been growing so rapidly for two decades. Once again, a major reason for this is inadequate public spending.

Public health expenditure in 2011-12

	% of GDP	% public spending in total health spending	Per capita public spending (USD)
Argentina	8.5	69.2	995
Brazil	9.3	46.4	1056
India	4.0	33.1	61
Mexico	6.1	51.8	618
South Africa	8.8	47.9	645
Thailand	4.1	76.4	215

Source: World Bank World Development Indicators online, accessed on 16 July 2014.

So if the new government is serious about reversing these unfortunate trends and bringing in all the positive changes in human development indicators that it has been promising, there is clearly a lot to do. In this dismal context, what has the new Finance Minister Arun Jaitley offered? Sadly, next to nothing; and in some cases even a decline in real terms in budget allocations to these crucial areas of public spending.

For example, around half of central government health spending is devoted to the [national health Mission](#) (the new scheme which combined the rural and urban health missions). This scheme is designed to do specifically what the BJP manifesto promised: reduce out-of-pocket spending on health by households through the provision of better public facilities and services and better access to them. But Mr Jaitley has actually reduced the allocation for this mission by Rs 2679 crore compared to the interim budget for 2014-15 of his predecessor, and by an even greater extent compared to the actual spending.

In terms of spending on education, the budget allocations indicate stagnation with government spending on education likely to remain well below 4 per cent of GDP and education continuing to account for only around 4.6 per cent of total central government spending. Clearly, there is no evidence of seriousness of purpose from this government in terms of increasing public spending in the social sectors.

Meanwhile, in other important areas of livelihood and conditions of life there are fears of reversal and setback. A major concern relates to the [MNREGA](#), for which the allocation has been cynically restrained to around Rs 33,000 crore – just the same as the previous two years.

Even though this is supposed to be a demand-driven scheme with spending going up as demand for employment increases and generates public works, the Centre has actually been squeezing it dry in the past few years by slowing down and making more stringent the transfer of funds to States. Indeed, the pressure to keep the amount spent on MNREGA within the budgetary limit last year was so great that wages have not been paid to workers to the tune of more than Rs 1000 crore! While hapless daily wage labourers languish for months without payment for work they have already done, Mr Jaitley chooses not to recognise this even to the extent of adding this unpaid amount to his budgetary calculation.

As a result, the actual budgetary outlay for MNREGA is actually down from the previous year even in nominal terms, which implies an even sharper decline once rising prices are taken into account. Clearly, this government is choosing to wind

down this important programme that has acted as a life saver for many rural poor despite its limitations and problems of implementation. The letter of the Rajasthan Chief Minister asking for the Act to be scrapped and replaced with a “scheme” is a straw in that wind, obviously wishing to avoid the accountability and responsibility that a law brings to the government. This is the very opposite of concern for the living conditions of ordinary people, and such attempts by the government must be fought at all levels. But it is another sign of the hollow nature of the promises made by this government, and their lack of respect for the rights of their citizens.

Forget about the promised “acchhe din” – at this rate, people may well start asking for a return of the “purane din”, in which at least some of their basic human rights were at last beginning to be recognised even if not fully realised.

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